

expenditure of the New Zealand Railways, and its comprehensive report and recommendations were embodied in D.—4, which was presented to the House during the emergency session earlier in the year.

The Government has given effect to most of the Commission's recommendations. The effect of the economies brought about will be more evident as the business improves. At present there is a definite indication of expenditure being reduced, but the steady decline in revenue prevents a true perspective being shown of what is being achieved on the expenditure side of the Department's operations.

RAILWAY BOARD OF DIRECTORS.

One of the Royal Commission's recommendations was "That the Department be depoliticalized, and the railways be administered by a Board of Directors, with full powers to control the operations and staff, and be responsible for the results obtained."

The Government decided to give effect to this recommendation, and provision was made in the Government Railways Amendment Act, 1931, passed last session, for the constitution of a Government Railways Board.

The following personnel was subsequently selected :—

Colonel James Jacob Esson, C.M.G. (Chairman).

Sir James Henry Gunson, C.M.G., C.B.E.

Mr. Edward Newman, C.M.G.

Mr. Daniel Reese.

Mr. George Walter Reid, B.Com., F.P.A. (N.Z.).

The appointment of Sir James Gunson and Mr. Reese is for three years, and that of Mr. Newman and Mr. Reid for two years. Colonel Esson's appointment is temporary, and on the retirement of Mr. H. H. Sterling as General Manager, in September next, he will assume the chairmanship of the Board.

The action of Mr. Sterling in offering to sever his contract with the Government and to submit his willingness to be retired under the terms of the Finance Act of last session, and thereby subject himself to a personal sacrifice, is to be commended. The Government is fortunate in that it will continue to have the services of Mr. Sterling after his retirement, when he becomes Chairman of the Board.

GARRATT LOCOMOTIVES.

I have to record the fact that the three Garratt locomotives which were imported into New Zealand had not shown up to the end of the financial year any marked improvement in mechanical reliability, but that since then it has been seen that the modifications made to two of these engines have made them fit for regular service. Unfortunately, the falling off in traffic during recent months has mitigated against their being loaded to their full capacity, and it has therefore been impossible to take advantage of their maximum potentiality.

Previously the main source of trouble in operation has been their mechanical unreliability under service conditions. The difficulties have, unfortunately, not made themselves apparent within a limited time of the engines being first put on the road, but have from time to time during the working of the units brought home to us the necessity of some modification to rectify weakness in design and correction of detail to suit local operating-conditions.

The capital cost of these engines was in each case £18,143 (including £674 cost of raising loan), and to date modifications and repair-costs to the three engines have been as follows :—

					£
Modifications	..	..	..	..	817
Shop repairs	..	..	..	..	2,131
Depot repairs	..	..	..	..	1,450
Shop-work for depots	..	..	..	..	146